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**Can combining web and mobile communication channels reveal concealed
customer value?**

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Many firms have implemented a customer-value based segmentation to improve the efficiency of MARCOM campaigns as part of their long term customer relationship strategies (Kumar 2010, Thomas et al. 2005).

If distribution channel addition may increase the intrinsic customer value (Kumar 2005, Rangaswamy 2005) in a US context as well as in a French context (Vanheems 2009), few studies have been conducted about the impact of adding a new communication channel during the same buying journey.

As the number of devices enabling to communicate with consumers increases, the goal of this research is to understand whether combining web and mobile communication channels for a same journey is more efficient than using a single web channel.

As a result of consumer reactance at higher levels of communication, Godfrey et al. (2011) have identified that channel interaction effects could lead to diminishing returns. The purpose of this paper is to evaluate whether the same result can be observed in the case of omni-channel strategy involving a mobile channel (Verhoef et al. 2015). The question of channels multiplication's performance is all the more central, given that the diminishing returns highlighted by Godfrey et al. (2011) question the approach of Integrated Marketing Communications – IMC-. Actually IMC posits that the interaction of different communication channels may be synergetic (Naik et Raman 2003) by creating a combined effect of multiple communication activities that exceeds the sum of their individual effects.

Furthermore the major contribution of this paper is to extend current knowledge by measuring the impact of combining web and mobile channels on incremental value creation.

Different questions can be raised:

- (1) Can combining web and mobile channels within a communication strategy result in an increase in customer count and spend both offline and online?
- (2) How can we explain this impact thanks to individual variables such as: i) FRAT segmentation, ii) Browsing data: mobile versus desktop readers, iii) Customer historical reaction to brand emails, iv) Customer distance to closest store?

Therefore, the aim of this research is :

- (1) to evaluate the impact of combining web and mobile communication channels on customer buying behavior. The analysis was done both at equal effective pressure with the same volume of messages sent during the period analyzed and under overpressure.
- (2) to find out whether given customer segments reveal higher value as a result of multichannel targeting involving mobile and, if so, describe them thanks to typical individual variables a retail firm may hold about its customers.
- (3) to explore and advance factors explaining the difference in impact of multichannel communication versus single channel communication on purchase behavior.

Two field experiments have been carried out from a French click & mortar retailer's customer database to measure and understand the differential impact of push multichannel communication sequences. Control and test groups were split through full randomization, based on the criteria used in the analysis: FRAT segmentation, emailing reactivity, distance to the closest store and mobile browsing behavior.

The first experiment aimed at measuring the impact of replacing an email by an SMS to control the relational pressure (volume of communications sent) and was built on 304,410 individuals.

The second one, carried out six months later on 1,072,815 individuals, consisted in:

- (1) Generalizing the learnings from the first experiment by mixing email and SMS on only the populations that revealed high value uplift.
- (2) Involving a third touchpoint, display ads, which have recently emerged as a Customer Relationship Management tool. To include banners, which had not been integrated in the first experiment, enables to confirm the impact of touchpoint addition on purchase behavior.
- (3) A better understanding of display interaction effects with other communication channels. Display had been activated in parallel with both full email sequences as well as email and SMS sequences. By doing so, we added a new level of analysis to evaluate the impact of overpressure with a new channel.

To comply with our focus on customer value unlocking, we measure *increments* provided by multichannel targeting compared to single channel targeting.

As recommended by Dinner, van Heerde and Neslin (2014), the four following outcomes of interest have been retained: i) Customer count offline, ii) Customer spend offline, iii) Customer count online and iv) Customer spend online.

The unprecedented richness of data contributes to bring out interesting learnings thanks to individual variables regarding customer purchases, browsing behavior, customer historical reaction to brand communications and customer distance to the closest store.

In the first experiment, five populations have been exposed to a specific channel strategy. The first one was a control group exposed to single channel and targeted by email only. Four multichannel test groups have been implemented; three of them were targeted with three messages, the same level of relational pressure as the control group, but with different sequences mixing email and SMS. The fourth group was intentionally slightly over-pressured with four messages.

In the second experiment, six populations have been built. Three of them have been assimilated to control groups as non-exposed to display ads. The three remaining groups have been assimilated as test groups as over-pressured with display ads.

The analysis methodology consists in calculating, for every test population, these four dependent variables and measure a “multichannel lift” compared to the control groups. This lift analysis has been done with the customer-level data exposed above.

The analysis results pointed out significant insights as exposed below.

Both at equal pressure and overpressure levels, channel addition has no significant impact on brands' heaviest customers. Otherwise, significant increments in conversion rate from 12% up to 27% are observed on smaller value customers, namely, inactives over the last twelve months, medium and light customers.

This is counterintuitive in a customer value targeting framework in which higher value customers deserve higher marketing communication efforts (Kumar 2010).

In addition, combining mobile and web channels results in a 40% lift in customer count on non-reactive to email customers, highlighting that inactive customers on one channel can still be active on a second channel. Moreover, display ads' highest incremental impact is observed on inactive customers.

Intersecting customer value and emailing reactivity criteria enables detection of several segments with a high uplift potential, up to 130% in conversion rate.

A major contribution is then to question widely spread studies suggesting that firms should consider to either abandon or to implement a lower cost contact strategy on lower value or MARCOM lapsed customers. This strategy is motivated by considering a low reactivity to emails, which has become for many firms, the major contact channel due to its cost and ease of personalization,

We advance that firms keeping a low cost strategy to address lower value customers might deprive themselves of significant incremental value. Therefore, reactivity to communication, which is a commonly used construct in research, may evolve in the omni-channel world to take reactivity to each single channel into account.

Finally, desktop oriented customers are more likely to better react in terms of purchase behavior when targeted via a new channel than mobile oriented customers are. Furthermore, the incremental impact observed is mainly due to desktop oriented customers who have been switched to a mobile channel.

Beyond the mobile characteristic of the channels analyzed (SMS and mobile display), we advocate for the role of the medium as a driver to foster interaction effects. Indeed, our two experiments have shown that SMS and RTB display channels meet different needs for brands seeking an omni-channel CRM strategy:

- (1) email and SMS are complementary channels as the best incremental impact of SMS is observed on email non-reactives.
- (2) email and display are more synergetic. First, because display ads' best incremental impact on customer count is observed on email reactives customer. Secondly, because display offers a reach increment of 163% compared to emailing only.

- (3) mixing email and display is more efficient than mixing email, SMS and display channels, highlighting that interaction effects must be seek through the medium and its characteristics rather than through a simple channel addition.

This paper provides an original highlight on the contribution that multichannel communication with Mobile touchpoints might make on customer value unlocking. This research identifies a fresh understanding for academia in the field of consumer response to multimedia communications as well as guidelines for practitioners about differentiated segments sensitivity, to refine their multichannel targeting strategies.

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